

Message Text

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ACTION EA-12

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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 05538

E.O. 11652:GDS
TAGS: OVIP (FUKUDA, TAKEO)
SUBJECT: FUKUDA VISIT PAPER: STRAUSS-USHIBA STATEMENT
FOLLOW-UP STATUS

REF: TOKYO 4578

1. THE STRAUSS-USHIBA STATEMENT ISSUED IN TOKYO ON JANUARY 13 CALLS FOR FUNDAMENTAL CHANGES IN JAPAN'S TRADE WITH THE U.S. AND THE REST OF THE WORLD. THESE CHANGES WILL REQUIRE A MAJOR EXPANSION OF ACCESS TO JAPAN AS A MARKET FOR IMPORTS AND A STEADY RESTRUCTURING OF JAPAN'S ECONOMY IN THE DIRECTION OF GREATER INTER-DEPENDENCE AND BALANCED TRADE. OUR MOST NOTEWORTHY ACHIEVEMENT SO FAR IS THAT THIS MESSAGE HAS BEEN ACCEPTED AS A NATIONAL GOAL, AND AS A CORPORATE GOAL OF THE INFLUENTIAL JAPANESE TRADING COMPANIES. INDUSTRIALISTS, WHO IN THE PAST HAVE SEEN EXPORT EXPANSION AS THE ROAD TO SUCCESS AND SECURITY, NOW RECOGNIZE THAT IMPORTS ARE EQUALLY IMPORTANT, AS WELL AS A SOURCE OF PROFIT.

2. THE JAPANESE GOVERNMENT HAS GIVEN TOTAL SUPPORT TO THIS CHANGING ATTITUDE. MITI OFFICIALS HAVE LAID DOWN THE NEW POLICY LINE TO INDUSTRIALISTS AND TRADING COMPANY
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EXECUTIVES. THE JAPAN EXTERNAL TRADE ORGANIZATION (JETRO) IS CHANGING ITS FOCUS TO PROMOTE IMPORTS, AND IS NOW HALF-SERIOUSLY REFERRED TO AS JITRO.

3. WE CAN POINT ALREADY TO MANY POSITIVE ACHIEVEMENTS AMONG THE OBJECTIVES NEGOTIATED SO SUCCESSFULLY BY AMBASSADOR STRAUSS IN JANUARY.

-- THE JAPANESE IMPORT PROMOTION MISSION TO THE U.S. WAS AN OUTSTANDING SUCCESS. THE \$1.94 BILLION OF PURCHASES,

OF WHICH ABOUT ONE-THIRD WOULD NOT HAVE BEEN MADE WITHOUT THE WORK OF THE MISSION AND THE DEPARTMENT OF COMMERCE IN SUPPORTING IT, WAS THE MOST VISIBLE ACHIEVEMENT. MORE IMPORTANT OVER THE LONGER TERM WAS THE PUBLIC STATEMENT BY TOP JAPANESE THAT THEY ARE COMMITTED TO EXPANDING IMPORTS, AND LOOK TO U.S. FIRMS TO WORK HARDER. THE LATTER POINT, OFTEN MADE BY THE JAPANESE, IS PARTLY JUSTIFIED AND PARTLY NOT. WE CAN AGREE THAT U.S. BUSINESS MUST DO MORE, BUT JAPAN ALSO MUST LOWER BARRIERS, OPEN MARKETS, AND MAKE TRADE A TWO-WAY STREET.

-- PARAGRAPH SIX OF THE STRAUSS-USHIBA STATEMENT SETS A WHOLE NEW POLICY FOR JAPAN BY RECOGNIZING THAT, AT THE END OF THE MTN, THE U.S. AND JAPAN MUST HAVE EQUIVALENT ACCESS TO EACH OTHERS MARKETS. SINCE THE STATEMENT WAS ISSUED THE JAPANESE HAVE CONFIRMED THEIR COMMITMENT TO FULFILLING THESE KEY PARAGRAPH SIX PROVISIONS.

-- THE JAPANESE PROMISED ADVANCE TARIFF CUTS ON 318 IMPORTS, INCLUDING A REDUCTION IN THE DUTY ON AUTOS TO AERO, EFFECTIVE APRIL 1. THESE CUTS WERE CARRIED OUT EFFECTIVE MARCH 4. THEY ARE ESTIMATED TO INCREASE U.S. CONFIDENTIAL

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EXPORTS \$30-70 MILLION.

-- A DOZEN ITEMS WERE EXCLUDED FROM QUOTA CONTROLS ON APRIL 1.

-- JOINT CONSIDERATION OF PROBLEMS IN TRADE IN FOREST PRODUCTS, ORANGES AND CITRUS JUICE, AND BEEF, IS CALLED FOR AS IMPLIED IN THE STRAUSS-USHIBA STATEMENT. ALL THESE GROUPS HAVE MET, AND THEIR WORK IS CONTINUING. THERE HAS BEEN USEFUL PROGRESS ON FOREST PRODUCTS AND CITRUS; BEEF ISSUES ARE DIFFICULT BECAUSE JAPANESE INTERESTS ARE SO ENTRENCHED, BUT WE STILL EXPECT THE GOVERNMENT TO IMPLEMENT ITS COMMITMENT TO INCREASE HIGH QUALITY BEEF EXPORTS BY 10,000 TONS IN THE NEXT YEAR.

-- THE JAPANESE ARE INCREASING OFFICIAL DEVELOPMENT ASSISTANCE AND SHOULD EASILY MEET THEIR TARGET OF DOUBLING IT WITHIN FIVE YEARS.

4. THERE ARE OTHER AREAS WHERE MORE MUST BE DONE, OR WHERE IT IS TOO EARLY TO JUDGE THE RESULTS OF ACTIONS TAKEN TO DATE. MANY INVOLVE LONGER-TERM OBJECTIVES WHICH

REQUIRE TIME. NEVERTHELESS THE FUKUDA VISIT WILL PROVIDE A GOOD OPPORTUNITY TO DISCUSS THEM WITH CABINET OFFICIALS. -- REDUCING JAPAN'S CURRENT ACCOUNT SURPLUS IS A PRIMARY OBJECTIVE, AND DIFFICULT TO ACCOMPLISH. THE JAPANESE ASSURED EC VICE PRESIDENT HAFERKAMP THAT THE SURPLUS WOULD BE REDUCED BY ONE-THIRD IN JFY-1978. THIS IS A GLOBAL OBJECTIVE, AND A KEY IN RESPONDING EFFECTIVELY TO PROTECTIONIST PRESSURES.

-- INCREASED IMPORTS OF MANUFACTURES IS EQUALLY IMPORTANT

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C O N F I D E N T I A L SECTION 02 OF 02 TOKYO 05538

IN RESTRAINING PROTECTIONISM. ALMOST 40 PERCENT OF THE JAPAN IMPORT PROMOTION MISSION'S PURCHASES WILL BE OF MANUFACTURED GOODS, A SIGNIFICANT GAIN. MOST OF THE LONGER-TERM FOCUS OF THE JOINT TRADE FACILITATION COMMITTEE WILL BE ON MANUFACTURES.

-- THE JAPANESE ARE COMMITTED TO THE CONCEPT OF ACHIEVING EQUIVALENT MARKET ACCESS AND EQUAL COMPETITIVE OPPORTUNITY AT THE END OF THE MTN. JAPAN'S TARIFF OFFERS IN THE MTN FALL WELL SHORT OF THAT, AND WE ARE ASKING THEM TO RESPOND TO OUR CALL FOR IMPROVEMENTS ON SOME 500 PRODUCTS BY EARLY APRIL. AS OF LATE MARCH THE PROSPECT IS THAT THIS WILL STILL BE A LIVELY ISSUE AT THE TIME OF THE FUKUDA VISIT.

-- THE JAPANESE HAVE AGREED TO PURSUE A POLICY OF AID UNTYING. THIS POLICY IS ENCOUNTERING ALL THE PREDICTABLE TECHNICAL PROBLEMS, SO WE MUST CONTINUE TO EMPHASIZE VISIBLE RESULTS AS NEW JAPANESE AID LOANS AND GRANTS ARE EXTENDED AFTER APRIL 1.

-- THE WORK OF THE TRADE FACILITATION COMMITTEE HAS

GOTTEN OFF TO A PROMISING START, AND JAPANESE OFFICIALS
COOPERATE FULLY IN ALL OPERATIONS. WE WOULD, HOWEVER,
LIKE TO SEE MORE POSITIVE RESPONSES TO SPECIFIC HIN-
DRANCES TO U.S. EXPORTS. MANSFIELD
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